## Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended .

Unit Name Village of Walkerville	County OCI	EANA T	ype VILLAGE	MuniCode	64-3-060
Opinion Date-Use Calendar Jul 24, 2008	Audit Submitted -Use Cale	endar Aug 14, 2008	Fiscal Year-Use Drop	List	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

## Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

X	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?							
	<ol> <li>Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?</li> </ol>							
	3. Were the local unit's actual expenditures within the amounts authorized in the budget?							
X	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?							
×	5. Did the local unit adopt a budget for all required funds?							
×	6. Was a public hearing on the budget held in accordance with State statute?							
X	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?							
X	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?							
X	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?							
X	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)							
X	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)							
	12. Is the local unit free of repeated reported deficiencies from previous years?							
×	13. Is the audit opinion unqualified?  14. If not, what type of opinion is it?							
X	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?							
×	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?							
X	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?							
X	18. Are there reported deficiencies?							

General Fund Revenue:	\$ 143,842.00
General Fund Expenditure:	\$ 97,106.00
Major Fund Deficit Amount:	\$ 18,836.00

General Fund Balance:	\$ 44,167.00
Governmental Activities Long-Term Debt (see instructions):	\$ 23,895.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) Jodi	Last DeKuiper Name	Ten Digit License Number 1101021180				
CPA Street Address 711 West Main Street	City Fremont	State MI	Zip Code 49412	Telephone	+1 (231) 924-6890	
CPA Firm Name Hendon & Slate PC	Unit's Street Address 121 S. East Street	et City V	Valkerville		LU Zip 49459	

## VILLAGE OF WALKERVILLE OCEANA COUNTY, MICHIGAN

## FINANCIAL STATEMENTS

**FEBRUARY 29, 2008** 

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## List of Principal Individuals

**Position** Jerry Frick President Eva Amstutz Treasurer Valerie Aiken Clerk Shirley Pearson Deputy Clerk Faye Davidson Trustee Mary Johnson Trustee Jay Conklin Trustee Jim Yancey Trustee Walt Bogus Trustee

Trustee

Sandy Failing



Hendon & Slate, PC Certified Public Accountants Business Consultants

Village Board Village of Walkerville Walkerville, MI

#### <u>Independent Auditor's Report</u>

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Walkerville, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Walkerville, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Walkerville, Michigan, as of February 29, 2008 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2008, on our consideration of the Village of Walkerville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results or our audit.

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July 24, 2008 Page 2

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 26 through 30, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Walkerville, Michigan's basic financial statements. The individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hendon & Slate, P.C.

Hendon & Slate

Certified Public Accountants

July 24, 2008

## VILLAGE OF WALKERVILLE MANAGEMENT'S DISCUSSION AND ANALYSIS February 29, 2008

#### Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

#### The Village as a Whole

The Village's combined net assets decreased from a year ago - from \$701,180 to \$683,310. In a condensed format, the table below shows key financial information:

	Governmental <u>Activities</u>		Busines <u>Activ</u>	ss-Type vities	<u>Total</u>			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	2007	<u>2008</u>	<u>2007</u>		
Current Assets	\$ 39,214	\$ 33,394	\$ 79,215	\$ 99,641	\$ 118,429	\$ 133,035		
Restricted Assets	-	-	69,190	61,956	69,190	61,956		
Capital Assets	274,942	290,663	427,951	439,997	702,893	730,660		
Total Assets	\$ 314,156	\$ 324,057	\$ 576,356	\$ 601,594	\$ 890,512	\$ 925,651		
Current Liabilities	\$ 18,488	\$ 17,325	\$ 15,497	\$ 13,701	\$ 33,985	\$ 31,026		
Noncurrent Liabilities	12,454	23,683	160,762	169,762	173,216	193,445		
					-			
Total Liabilities	\$ 30,942	\$ 41,008	\$ 176,259	\$ 183,463	\$ 207,201	\$ 224,471		
Net Assets								
Invested in Capital Ass	sets-							
Net of Debt	\$ 251,047	\$ 255,323	\$ 258,189	\$ 261,235	\$ 509,236	\$ 516,558		
Restricted	-	-	69,190	61,956	69,190	61,956		
Unrestricted	32,167	27,726	72,717	94,940	104,884	122,666		
Total Net Assets	\$ 283,214	\$ 283,049	\$ 400,096	\$ 418,131	\$ 683,310	\$ 701,180		

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, decreased by \$17,782 for the governmental activities.

#### Management's Discussion and Analysis (Continued)

	Govern <u>Activ</u>		Busines <u>Activ</u>	ss-Type vities	<u>Total</u>			
	<u>2008</u>	<u>2007</u>	<u>2008</u> <u>2007</u>		<u>2008</u>	<u>2007</u>		
Program Revenues								
Charges for Services	\$ 375	\$ 2,620	\$ 27,550	\$ 23,193	\$ 27,925	\$ 25,813		
General Revenues								
Property Taxes	44,653	42,955	-	-	44,653	42,955		
State Grants	78,688	85,296	-	-	78,688	85,296		
Investment Earnings	449	427	6,401	10,033	6,850	10,460		
Rents, Refunds, Other	7,479	12,919			7,479	12,919		
Total Revenues	\$ 131,644	\$ 144,217	\$ 33,951	\$ 33,226	\$ 165,595	\$ 177,443		
Program Expenses								
General Government	52,633	39,367	-	-	52,633	39,367		
Public Safety	10,489	9,738	-	-	10,489	9,738		
Public Works	42,080	40,664	-	-	42,080	40,664		
Rec and Culture	5,110	4,823	-	-	5,110	4,823		
Unallocated Deprec	15,721	16,125	-	-	15,721	16,125		
Interest on LT Debt	1,423	2,129	-	-	1,423	2,129		
Other Functions	4,023	5,122	-	-	4,023	5,122		
Loss on Disp Assets	-	-	-	-	-	-		
Sewer Maintenance	-	-	41,256	37,242	41,256	37,242		
Sewer Restricted	-	-	10,731	11,010	10,731	11,010		
Total Expenses	131,479	117,968	51,987	48,252	183,466	166,220		
Change in Net Assets	\$ 165	\$ 26,249	\$ (18,036)	\$ (15,026)	\$ (17,871)	\$ 11,223		

#### Governmental Activities

The Village's total governmental revenues showed a decrease of approximately \$12,500, while expenses increased by approximately \$13,500.

#### **Business-Type Activities**

The Sewer Fund's net assets decreased by \$18,036 with revenues and expenses increasing slightly.

### The Village's Fund

Our analysis of the Village's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. All of the Village's funds for 2008 are considered major.

Management's Discussion and Analysis (Continued)

## General Fund Budgetary Highlights

Over the course of the year, the Village Board continually amended the budget to take into account events during the year. General Fund expenditure amendments reflected an overall increase in expenses.

#### Capital Asset and Debt Administration

At the end of 2008, the Village had \$1,334,735 invested in a broad range of capital assets, including land, buildings, roads, vehicles, and equipment. No major capital asset events occurred during the year. The Village debt totals \$193,657, with \$20,441 due within the next year.

#### Economic Factors and Future Year Plans

The Village's budget for 2008/09 it very similar to the budget for 2007/08. Including that the Village also projects that state shared revenue will remain about the same as will property taxes.

#### Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

## Government Wide Statement of Net Assets February 29,2008

	Business-Type Activities	Governmental Activities	Total Primary Government
ASSETS			
Cash	\$ 472	\$ 26,839	\$ 27,311
Accounts Receivable	-	20,704	20,704
Taxes Receivable	57,932	9,926	67,858
Internal Balances	20,685	(20,685)	-
Prepaid Insurance	125	2,430	2,555
Restricted Cash	69,190	-	69,190
Property and Equipment	808,382	526,353	1,334,735
Accumulated Depreciation	(380,431)	(251,411)	(631,842)
Total Assets	576,355	314,156	890,511
LIABILITIES			
Current Liabilities			
Accounts Payable	2,306	1,356	3,662
Due to Employees	-	5,691	5,691
Deferred Revenue	4,191	-	4,191
Non-Current Liabilities			
Due Within One Year	9,000	11,441	20,441
Due in More Than One Year	160,762	12,454	173,216
Total Liabilities	176,259	30,942	207,201
NET ASSETS			
Invested in Capital Assets			
Net of Related Debt	258,189	251,047	509,236
Restricted Net Assets	69,190	-	69,190
Unrestricted Net Assets	72,717	32,167	104,884
Total Net Assets	\$ 400,096	\$ 283,214	\$ 683,310

Government Wide Statement of Activities For the Fiscal Year Ended February 29, 2008

		Program <u>Revenues</u> Charges for		and C	Wet (Expenses) Revenue  d Changes in Net Assets  Governmental		Business-Type			
Functions/Programs	Expenses		arges for ervices	,		rnmental tivities		ctivities		Total
Primary Government	Expenses		civices		AC	uviucs	Δ	<u>cuviues</u>		<u>10tar</u>
Governmental Activities										
General Government	\$ 52,633	\$	375		\$	(52,258)	\$	_	\$	(52,258)
Public Safety	10,489	-	-		-	(10,489)	_	_	_	(10,489)
Public Works	42,080		-			(42,080)		_		(42,080)
Recreation and Culture	5,110		-			(5,110)		_		(5,110)
Interest on Debt	1,423		-			(1,423)		-		(1,423)
Other Functions	4,023		-			(4,023)		_		(4,023)
Unallocated Depreciation	15,721			_		(15,721)		-		(15,721)
Total Governmental Activities	131,479		375			(131,104)		-		(131,104)
Business-Type Activities										
Sewer Maintenance	41,256		22,647			-		(18,609)		(18,609)
Sewer Restricted	10,731		4,903	_				(5,828)		(5,828)
Total Business-Type Activities	51,987		27,550	_		<u>-</u>		(24,437)		(24,437)
Total Primary Government	\$ 183,466	\$	27,925			(131,104)		(24,437)		(155,541)
General Revenues										
Property Taxes						44,653		-		44,653
State Grant						78,688		-		78,688
Interest Income						449		6,401		6,850
Refunds and Rei	mbursements					4,422		-		4,422
Miscellaneous				_		3,057				3,057
Total General Revenu	ues & Transfers			_		131,269		6,401		137,670
Changes in Net Asset	ts					165		(18,036)		(17,871)
Net Assets - March 1	, 2007			_		283,049		418,132		701,181
Net Assets - February	29, 2008			_	\$	283,214	\$	400,096	\$	683,310

## Governmental Fund Balance Sheet February 29,2008

	Major General Street Fund Fund		Street	Local Street Fund		Total Governmental Funds		
ASSETS								
Cash	\$	25,658	\$	765	\$	416	\$	26,839
Taxes Receivable		9,926		-		-		9,926
Accounts Receivable		4,754		11,677		4,273		20,704
Due from Other Funds		10,115						10,115
Total Assets	\$	50,453	\$	12,442	\$	4,689	\$	67,584
LIABILITIES								
Accounts Payable	\$	1,356	\$	-	\$	-	\$	1,356
Due to Employees		4,930		478		283		5,691
Due to Other Funds				30,800				30,800
Total Liabilities		6,286		31,278		283		37,847
FUND BALANCES								
Designated		2,500		-		-		2,500
Unreserved		41,667		(18,836)		4,406		27,237
Total Fund Balance		44,167		(18,836)		4,406		29,737
Total Liabilities and Fund Balance	\$ 50,453		\$	\$ 12,442		\$ 4,689		67,584

# Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets February 29, 2008

Total Governmental Fund Balances	\$ 29,737
Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:	
Prepaid Insurance reflects amounts that will be used in a future period.	2,430
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:	
Governmental Capital Asset	526,353
Governmental Accumulated Depreciation	(251,411)
Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of	
net assets that are not reported in the funds balance sheet are:	(23,895)
Total Net Assets - Governmental Activities:	\$ 283,214

### Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended February 29, 2008

	C	General	Major Street		Local Street	Total ernmental
		Fund	Fund		Fund	Funds
Revenues			 	_		
Property Taxes	\$	44,653	\$ -	\$	-	\$ 44,653
State Grants		26,905	39,955		11,828	78,688
Charges for Services		375	-		-	375
Interest		248	153		48	449
Rents		64,182	-		-	64,182
Refunds & Reimbursements		4,422	=		-	4,422
Miscellaneous		3,057	=		-	3,057
Total Revenues		143,842	 40,108		11,876	 195,826
Expenditures						
Current						
General Government		52,092	-		-	52,092
Public Safety		10,410	-		-	10,410
Public Works		18,592	54,005		33,665	106,262
Recreation & Culture		5,110	-		-	5,110
Other Functions		4,023	-		-	4,023
Debt Service						-
Principal		6,445	5,000		-	11,445
Interest		434	 1,067			 1,501
Total Expenditures		97,106	60,072		33,665	 190,843
Excess Revenue Over (Under) Expenditures		46,736	(19,964)		(21,789)	4,983
Other Financing Sources (Uses)						
Operating Transfers In (Out)		(37,541)	14,550		22,991	 
Total Other Financing Sources (Uses)		(37,541)	 14,550		22,991	 
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)		9,195	(5,414)		1,202	4,983
i maneing (Oses)		7,173	(5,717)		1,202	т,703
Fund Balance - March 1		34,972	 (13,422)		3,204	 24,754
Fund Balance - February 28	\$	44,167	\$ (18,836)	\$	4,406	\$ 29,737

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended February 29, 2008

Net Change in Fund Balances - Total Governmental Funds		\$ 4,983
Amounts reported for governmental activities in the statement of activities are different because:		
Prepaid Insurance reflects amounts that will be used in a future period:		
Current Year Prepaid Insurance:	2,430	
Prior Year Prepaid Insurance:	(2,972)	(542)
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities:  Capital outlay reported in governmental fund statements  Depreciation expense reported in the statement of activities		- (15,721)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditures, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of		
The amount of long-term debt principal payments in the current year	-	11,445
Changes in Net Assets - Governmental Activities	_	\$ 165

## Proprietary Fund Statement of Net Assets February 29, 2008

	Sewer Maintenance Fund	Sewer Restricted Fund	Total Proprietary Funds
ASSETS			
Current Assets			
Cash	\$ 472	\$ -	\$ 472
Accounts Receivable	-	-	-
Taxes Receivable	-	57,932	57,932
Prepaid Insurance	125	-	125
Internal Balances	(8,270)	28,956	20,686
Total Current Assets	(7,673)	86,888	79,215
Noncurrent Assets			
Restricted Cash	-	69,190	69,190
Net Capital Assets	427,951	-	427,951
Total Noncurrent Assets	427,951	69,190	497,141
Total Assets	420,278	156,078	576,356
LIABILITIES			
Current Liabilities			
Accounts Payable	2,306	-	2,306
Deferred Revenue	-	4,191	4,191
Current Long-Term Debt	-	9,000	9,000
Due to Employees	-	-	-
Total Current Liabilities	2,306	13,191	15,497
Non-Current Liabilities			
Long-Term Bonds		160,762	160,762
Total Liabilities	2,306	173,953	176,259
NET ASSETS			
Invested in Capital Assets			
- Net of Debt	427,951	(169,762)	258,189
Restricted Assets - Expendable	-	69,190	69,190
Unrestricted	(9,980)	82,697	72,717
Total Net Assets	\$ 417,971	\$ (17,875)	\$ 400,096

Proprietary Fund Settlement of Revenue, Expenses, and Changes in Net Assets For the Year Ended February 29, 2008

	Sewer Maintenance Fund		Sewer Restricted Fund		Total oprietary Funds
Operating Revenues					
Fees	\$	22,647	\$	2,765	\$ 25,412
Taxes		-		511	511
Miscellaneous		-		1,627	1,627
Total Operating Revenues		22,647		4,903	27,550
Operating Expenses					
Payroll Expenses		5,488		-	5,488
Supplies and Insurance		8,317		-	8,317
Professional & Contracted Services		1,500		-	1,500
Utilities		243		-	243
Services		11,438		-	11,438
Licenses		1,950		-	1,950
Equipment Rental		-		-	-
Miscellaneous		274		261	535
Depreciation		12,046			 12,046
Total Operating Expenses		41,256		261	 41,517
Operating Income (Loss)		(18,609)		4,642	 (13,967)
Non-Operating Revenues					
Interest Income		407		5,994	6,401
Interest Expense		-		(10,470)	(10,470)
Other Non-Operating Expenses					 
Total Non-Operating Revenue (Expenses)		407		(4,476)	 (4,069)
Income (Loss) Before Transfers		(18,202)		166	(18,036)
Transfers From Other Funds					 
Changes in Net Assets		(18,202)		166	(18,036)
Total Net Assets - Beginning		436,173		(18,041)	 418,132
Total Net Assets - Ending	\$	417,971	\$	(17,875)	\$ 400,096

## Proprietary Fund Statement of Cash Flows February 29, 2008

	Sewer intenance Fund	Sewer estricted Fund	Total oprietary Funds
Cash Flows From Operating Activities Receipts from Customers Receipts from Property Taxes Receipts from Other Funds Payments for Employees Payments to Suppliers	\$ 26,242 - (5,488) (21,077)	\$ 4,392 7,369 9,210 - (261)	\$ 30,634 7,369 9,210 (5,488) (21,338)
Net Cash Provided (Used) by Operating Activities	(323)	20,710	20,387
Cash Flows From Noncapital Financial Activities Payments for Services Transfer in From Other Funds	- -	- -	 - -
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-
Cash Flows From Capital and Related Financing Activities Principal and Interest on Capital Debt	 	 (19,470)	 (19,470)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	-	(19,470)	(19,470)
Cash Flows From Investing Activities Interest Interest on Restricted Cash Purchase of Equipment	407 - -	5,994 - -	6,401 - -
Net Cash Flow Provided (Used) by Investing Activities	 407	 5,994	 6,401
Net Increase (Decrease) in Cash	84	7,234	7,318
Cash Balance - Beginning of Year	 388	 61,956	 62,344
Cash Balance - End of Year	\$ 472	\$ 69,190	\$ 69,662
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)  Adjustments to Reconcile Operating Income to Net Cash  Provided (Used) by Operating Activities	\$ (18,609)	\$ 4,642	\$ (13,967)
Depreciation Expense Change in Assets and Liabilities	12,046	-	12,046
Decrease in Accounts Receivable	3,595	-	3,595
Change in Internal Balances Decrease in Taxes Receivable	339	9,210 7,369	9,549 7,369
Decrease in Prepaid Expenses	-	-	-
Increase in Accounts Payable	2,306	-	2,306
Increase (Decrease) in Due To Other Funds	-	-	-
Decrease in Wages Payable (Decrease) in Deferred Revenue	-	(511)	(511)
Net Cash Provided by Operating Activities	\$ (323)	\$ 20,710	\$ 20,387

Notes to the Financial Statements For the Fiscal Year Ended February 29, 2008

#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Walkerville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies us by the Village of Walkerville.

#### 1 Reporting Entity

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- a. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
- b. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

#### 2 Joint Ventures

Walkerville Area Fire & Rescue Department - The Village is a member of the Walkerville Area Fire & Rescue Department, which was organized to provide emergency fire & rescue protection to its member units. It is a joint venture of six governmental units governed by a board composed of representatives from each of the respective member units. It is funded through contributions from each member unit based on its State Equalized Valuation. The Village does not report an equity interest in this joint venture in these financial statements because the Village does not have an explicit and measurable right to the joint venture's resources. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the February 28, 2007 audit report of the Walkerville Area Fire & Rescue Department follows:

Assets	
Current	\$ 282,668
Noncurrent	 -
Total Assets	282,668

Liabilities	
Current	68,333
Noncurrent	
Total Liabilities	68,333
Fund Balance	\$ 214,335
Operating Revenues	\$ 261,365
Operating Expenses	 (188,161)
Net gain (loss)	\$ 73,204

Complete financial statements for Walkerville Area Fire & Rescue Department may be obtained from offices at the Walkerville Area Fire & Rescue Department, 175 Main Street, Walkerville, MI 49459.

#### 3 Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### 4 Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are record only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

#### a. State of Michigan Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by February 28; therefore; a receivable is recorded for this amount. For fiscal year-end February 29, 2008, this amount was \$4,754 in the General Fund.

The Major Streets and Local Street Funds also receive monthly installments from the State of Michigan for Act 51 Transportation. As of February 29, 2008, neither the January nor February 2008 payments had been received. Receivables totaling \$11,677 and \$4,273 have been recorded for the Major streets and Local Street Funds respectively.

#### b. Property Taxes Receivable

The Village property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Village as of the preceding December 31st. The taxes are due on September 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2007 delinquent taxes of \$9,926 were not received by year-end, thus taxes receivable have been recorded. Although the property taxes receipt exceeded 60 days, it was soon enough to pay current liabilities and thus recorded as revenue for the current year.

The 2007 taxable valuation of the Village totaled \$3,434,136 on which ad valorem taxes levied consisted of 13.575 mills for general operating, raising \$45,503. This amount is recognized in the general fund financial statements as current tax revenue.

The Sewer Restricted Fund taxes receivable of \$57,932 represents special assessment taxes billed to fund the repayment of the construction notes. Property owners may pay these taxes with interest over twenty-five years.

The government reports the following major governmental funds and proprietary funds:

#### Governmental Funds

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. (Major Street and Local Street Funds.)

#### **Proprietary Funds**

Enterprise Funds - Enterprise Funds are used to account for operations that (A) are financed and operated in a manner similar to private business enterprise – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. (Sewer Maintenance and Sewer Restricted Funds.)

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1)charges to customers or applicants for goods, services or privileges provided; (2)operating grants and contributions; and (3)capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

#### 5 Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/ from other funds".

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets and Restricted Net Assets - The general obligation bonds in the Sewer Restricted Fund requires amounts to be set aside for debt service of interest and principal. Cash is restricted for deposits in bank accounts legally restricted primarily for the payment of debt service.

Notes to the Financial Statements (Continued)

Net assets restricted for debt service include the excess of liabilities over assets restricted for the debt service on revenue bonds. The government-wide statements include restricted net assets of \$69,190 restricted for debt service.

Capital Assets - Capital assets, which include property and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, infrastructure asset costs incurred prior to March 1, 2004 are not included in the financial statements.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	3 to 5 years
General Equipment	5 to 20 years
Streets and Highways	20 to 30 years

Salvage value is estimated at 10% of cost

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and the proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are defer- red and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financial uses. Issuance costs are reported as debt service expenditures. The Village long-term debt is related to equipment purchases, major street improvements, and the construction of a sewer project.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Village has designated \$2,500 for future equipment purchases in the general fund.

Deficit Equity - The Village has an accumulated retained earnings deficit in the Proprietary Fund - Sewer Restricted Fund of \$17,875, and the Special Revenue Major Street Fund of \$18,836. Public Act 275 of 1980 requires that the Village of Walkerville file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition.

#### NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. the Village approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Village does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were materially in excess of the amounts appropriated, as follows:

	F	Budget	Α	ctual
Budget Item	App:	ropriation_	Expe	enditures_
	Ф	12.700	ф	52,002
General Fund- General Government	\$	42,700	\$	52,092
General Fund- Debt Service		-		6,879
Major Street Fund - Public Works		50,056		60,072
Local Street Fund - Public Works		10,545		33,665
Sewer Maintenance Fund-Salaries and Wages		-		5,488
Sewer Maintenance Fund-Insurance & Supplies		8,000		8,317
Sewer Maintenance Fund-Miscellaneous		-		274
Sewer Maintenance Fund-Depreciation		-		12,046

#### NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in

The Village Board has designated West Shore Bank for the deposit of Local Unit funds.

The Village's deposits and investment policy are in accordance with statutory authority.

The Village 's deposits were reported in the basic financial statements in the following categories:

	Gove	ernmental	Pro	prietary	Total Primary		
	Ac	tivities	Activities		Government		
Cash and Cash Equivalents	\$	26,839	\$	69,662	\$	96,501	

The bank balance of the Village 's deposits is \$105,042, of which \$105,042 is covered by federal depository insurance,

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits the Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Village; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Village does not have any cash management funds.

#### NOTE D RECEIVABLES

Receivables as of year-end for the Village 's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	State of Michigan	Resident Receivables	Net Receivables
General Fund	\$ 4,754	\$ -	\$ 4,754
Major Streets Fund	11,677	-	11,677
Local Streets Fund	4,273		4,273
Total	\$ 20,704	\$ -	\$ 20,704

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities		eginning Balance	Inc	reases	Dec	reases		Ending Balance
Capital Assets not being depreciated	Φ.	25.005	Φ.		Φ.		Φ.	27.007
Land	\$	37,897	\$	-	\$	-	\$	37,897
Capital Assets Being Depreciated								
Buildings		330,704		-		-		330,704
General Equipment		98,261		-		-		98,261
Highways and Streets		59,491						59,491
Subtotal		488,456		-		-		488,456
Less Accumulated Depreciation for								
Buildings		174,787		5,363		-		180,150
General Equipment		57,333		7,977		-		65,310
Highways and Streets		3,570		2,381				5,951
Subtotal		235,690	1	5,721		-		251,411
Net Capital Assets being depreciated		252,766	(1	5,721)		-		237,045
Total Governmental Activities Capital								
Assets - Net of Depreciation	\$	290,663	\$ (1	5,721)		-	\$	274,942
	В	eginning						Ending
<b>Business-Type Activities</b>	I	Balance	Inc	reases	Dec	reases		Balance
Capital Assets not being depreciated  Land	\$	21,888	\$	_	\$	_	\$	21,888
20	Ψ	21,000	Ψ		Ψ		4	21,000
Capital Assets Being Depreciated		104.176						104.176
Machinery and Equipment		184,176		-		-		184,176
Maining and Pumping Equipment		602,318						602,318
Subtotal		786,494		-		-		786,494
Less Accumulated Depreciation for								
Machinery and Equipment		184,176		-		-		184,176
Maining and Pumping Equipment		184,209	1	2,046				196,255
Subtotal		368,385	1	2,046				380,431
Net Capital Assets being Depreciated		418,109	(1	2,046)				406,063
Business-Type Activities Total Capital								
Assets - Net of Depreciation	\$	439,997	\$ (1	2,046)	\$		\$	427,951

Notes to the Financial Statements (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities		
Unallocated	\$	15,721
Business-Type Activities Sewer	<u> </u>	12,046

#### NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fun (Due From)	d		Payable (Due 7	
General Fund Sewer Maintenance Sewer Assessment Major Street	\$	10,114 1,844 30,800	Major Street Sewer Maintenance Sewer Assessment	\$ 30,800 10,114 1,844
	\$	42,758		\$ 42,758

Interfund Transfers (to cover operating expenses)

	<u>Tran</u>	Transfers (Out)		
	<u>Ge</u>	neral Fund		
<u>Transfers In</u>				
Major Street Fund	\$	14,550		
Local Street Fund		22,991		
	\$	37,541		

#### NOTE G LONG-TERM DEBT

#### Governmental Activities:

Michigan Municipal Bond Authority - The Village entered into a contract with the State on June 23, 1995, to borrow \$80,000 to be used for major street improvements. Interest is payable semi-annually on August 1 and February 1 at the rate of 6% until August 1, 2004 and then 6.5% for the remainder of the loan. Principal payments are due on August 1 with the final payment due August 1, 2009.

Annual requirements to amortize the outstanding bonds at February 29, 2008 are as follows, including interest payments of \$1,068.

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<u>Year</u>	<b>Bond</b>	Authority
2008-2009	\$	5,458
2009-2010		10,610
Total Principal and Interest		16,068
Less: Interest		1,068
Total	\$	15,000

<u>Westshore Bank - Police Car Loan</u> - During 2003-2004, the Village of Walkerville entered into an agreement with Westshore Bank for a note payable in the amount of \$12,000 for the purchase of a new police car. The note is due in monthly payments of \$218.56 through February 3, 2009. Interest is payable at 3.5%.

Annual requirements to amortize the note payable at February 29, 2008 are as follows:

	we	stsnore
<u>Year</u>	Ē	<u>Bank</u>
2008-2009		2,390
Total Principal and Interest		2,390
Less: Interest		42
Total	\$	2,348

<u>Westshore Bank - DPW Truck</u> - During 2004-2005, the Village of Walkerville entered into an agreement with Westshore Bank for a note payable in the amount of \$19,500 for the purchase of a GMC Road Grader. The note is due in monthly payments of \$354.74 through September 2009. Interest is payable at 3.5%.

Annual requirements to amortize the note payable at February 29, 2008 are as follows:

	We	estshore
<u>Year</u>	1	Bank
2008-2009		4,257
2009-2010		2,483
Total Principal and Interest		6,740
Less: Interest		193
Total	\$	6,547

The following is a summary of Governmental Funds Debt transactions for the year:

·	Michigan		•	
	Municipal	Westshore	Westshore	
	Bond	Bank	Bank	
	<u>Authority</u>	Police Car	DPW Truck	<u>Total</u>
Debt Payable - Beginning	20,000	4,841	10,499	35,340
Debt Proceeds	-	-	-	-
Debt Retired	(5,000)	(2,493)	(3,952)	 (11,445)
Debt Payable - End of the Year	\$ 15,000	\$ 2,348	\$ 6,547	\$ 23,895
Due within one year	\$ 5,000	\$ 2,348	\$ 4,093	\$ 11,441

#### **Business Type Activities:**

<u>Rural Economic and Community Development</u> - The Village Sewer Fund entered into a contract with the U.S. Department of Agriculture on September 13, 1989 to borrow \$275,000 to be used to finance the construction of a sewer project. Interest is payable at the rate of 6.0% with the final payment due in 2019. Following is a schedule of the minimum payments due as of February 29, 2008, including interest payments of \$54,900.

<u>Year</u>	4	<u>Amount</u>
2008-2009	\$	20,200
2009-2010		20,600
2010-2011		19,940
2011-2012		20,280
Subsequent Years		143,642
Total Principal and Interest		224,662
Less: Interest		(54,900)
Total	\$	169,762
Due within one year	\$	10,000

#### NOTE H CASH FLOWS

Cash paid for interest by the Village for the Proprietary Fund was \$10,470, which equals the interest expense and the total interest incurred for the year.

#### NOTE I RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

## Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended February 29, 2008

	<b>Budgeted Amounts</b>			Variance to
	Original	<u>Final</u>	Actual	Final Budget
Beginning Year Fund Balance	\$ 34,972	\$ 34,972	\$ 34,972	\$ -
Resources (Inflows)				
Property Taxes	46,000	46,000	44,653	(1,347)
State Shared Revenue	30,000	30,000	26,905	(3,095)
Charges for Services	3,500	2,500	375	(2,125)
Interest	175	175	248	73
Rents	100	100	64,182	64,082
Refunds and Reimbursements	3,200	4,200	4,422	222
<b>Business Licenses and Permits</b>	25	25	-	(25)
Operating Transfers In	30,000	52,000	-	(52,000)
Miscellaneous			3,057	3,057
Amounts Available for Appropriation	147,972	169,972	178,814	8,842
Charges to Appropriations (Outflows)				
General Government	38,300	42,700	52,092	(9,392)
Public Safety	11,000	14,000	10,410	3,590
Public Works	28,500	27,920	18,592	9,328
Recreation and Culture	4,600	5,600	5,110	490
Debt Service	-	-	6,879	(6,879)
Operating Transfers Out	25,000	38,200	37,541	659
Other	5,600	6,580	4,023	2,557
Total Charges to Appropriation	113,000	135,000	134,647	353
Budgetary Fund Balance-Feb 29, 2008	\$ 34,972	\$ 34,972	\$ 44,167	\$ 9,195

## Required Supplementary Information Budgetary Comparison Schedule for Major Streets Fund For the Year Ended February 29, 2008

	Budgeted	Amounts		Variance With
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ (13,422)	\$ (13,422)	\$ (13,422)	\$ -
Resources (Inflows)				
State Shared Revenue	30,000	50,000	39,955	(10,045)
Operating Transfers In	-	-	14,550	14,550
Misc. Income	-	-	-	-
Interest	65	65	153	88
Amounts Available for Appropriation	16,643	36,643	41,236	4,593
Charges to Appropriations (Outflows)				
Routine Maintenance			18,481	
Winter Maintenance			31,365	
Miscellaneous			1,405	
Administration			2,754	
Debt Service			6,067	
Total Charges to Appropriation	30,065	50,065	60,072	(10,007)
Budgetary Fund Balance-Feb 29, 2008	\$ (13,422)	\$ (13,422)	\$ (18,836)	\$ (5,414)

# Required Supplementary Information Budgetary Comparison Schedule for Local Streets Fund For the Year Ended February 29, 2008

	Budgeted	Amounts	Variance to		
	Original	Final	Actual	Final Budget	
Beginning Year Fund Balance	\$ 3,204	\$ 3,204	\$ 3,204	\$ -	
Resources (Inflows)					
State Shared Revenue	10,500	10,500	11,828	1,328	
Interest	45	45	48	3	
Operating Transfers In			22,991	22,991	
Amounts Available for Appropriation	13,749	13,749	38,071	24,322	
Charges to Appropriations (Outflows)					
Routine Maintenance			14,012		
Winter Maintenance			17,928		
Administration			1,723		
Miscellaneous			2		
Total Charges to Appropriation	10,545	10,545	33,665	(23,120)	
Budgetary Fund Balance-Feb 29, 2008	\$ 3,204	\$ 3,204	\$ 4,406	\$ 1,202	

# Required Supplementary Information Budgetary Comparison Schedule for Sewer Maintenance Fund For the Year Ended February 29, 2008

	Budgeted	Amounts	Variance to		
	Original	Final	Actual	Final Budget	
Beginning Year Retained Earnings	\$ 436,173	\$ 436,173	\$ 436,173	\$ -	
Resources (Inflows)					
Fees	24,000	24,000	22,647	(1,353)	
Operating Transfers In	-	-	-	-	
Interest	400	400	407	7	
Amounts Available for Appropriation	460,573	460,573	459,227	(1,346)	
Charges to Appropriations (Outflows)					
Salaries and Wages	5,000	-	5,488	(5,488)	
Insurance and Supplies	8,000	8,000	8,317	(317)	
Utilities	200	300	243	57.00	
Operating Services	5,050	11,050	11,438	(388.00)	
Professional Services	1,000	1,500	1,500	-	
Licenses	2,350	2,350	1,950	400.00	
Equipment Rental	-	-	-	-	
Miscellaneous	-	-	274	(274)	
Depreciation	-	-	12,046	(12,046)	
Transfers Out	2,800	1,200		1,200	
Total Charges to Appropriation	24,400	24,400	41,256	(16,856)	
Budgetary Retained Earnings -					
February 29, 2008	\$ 436,173	\$ 436,173	\$ 417,971	\$ (18,202)	

## Statement of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual - Sewer Restricted Fund For the Year Ended February 29, 2008

	Budgeted Amounts			Variance to	
	Original	<u>Final</u>	Actual	Final Budget	
Beginning Year Retained Earnings	\$ (18,041)	\$ (18,041)	\$ (18,041)	\$ -	
Resources (Inflows)					
Fees	2,800	2,800	2,765	(35)	
Taxes	8,000	8,000	511	(7,489)	
Interest on Investments	1,100	1,100	1,324	224	
Other Interest Income	-	-	1,400	1,400	
Interest on Assessments	4,000	4,000	3,270	(730)	
Other Income			1,627	1,627	
Amounts Available for Appropriation	(2,141)	(2,141)	(7,144)	(5,003)	
Charges to Appropriations (Outflows)					
Interest Expense	15,639	15,639	10,470	5,169	
Other Expenses	261	261	261		
Total Charges to Appropriation	15,900	15,900	10,731	5,169	
Budgetary Retained Earnings -					
February 29, 2008	\$ (18,041)	\$ (18,041)	\$ (17,875)	\$ 166	

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended February 29, 2008

					Fa	vorable
	Budget		Actual		(Unfavorable)	
Revenues						
Property Taxes	\$	46,000	\$	44,653	\$	(1,347)
State Shared Revenue and Other Grants	Ψ	30,000	Ψ	26,905	Ψ	(3,095)
Police		500		-		(500)
Cemetery		2,000		375		(1,625)
Interest		175		248		73
Rents		100		64,182		64,082
Refunds and Reimbursements		3,200		3,991		791
United Way		1,000		431		(569)
Metro Act and Miscellaneous		-		3,057		3,057
Business Licenses and Permits		25				(25)
Total Revenues		83,000		143,842		60,842
Expenditures						
General Government						
Village Council						
Salaries				4,415		
Services				1,364		
Audit				3,995		
Community Programs				619		
Insurance				8,332		
Utilities				146		
Miscellaneous				10,543		
		18,800		29,414		(10,614)
Youth Club						
Utilities		1,100		1,093		7
Elections						
Supplies				333		
Services				761		
Printing & Publishing				250		
		1,500		1,344		156
Clerk / Assessor						
Salaries	\$	8,400	\$	8,404	\$	(4)

			Favorable	
	Budget	Actual	(Unfavorable)	
Treasurer				
Salaries		2,460		
Supplies		239		
Legal		120		
6	\$ 3,000	2,819	\$ 181	
Cemetery	. ,	,		
Salaries		2,744		
Supplies		167		
Services		385		
Utilities		420		
	4,300	3,716	584	
Office				
Salaries		-		
Supplies		2,811		
Utilities		1,773		
Services		718		
	5,600	5,302	298	
Total General Government	42,700	52,092	(9,392)	
Public Safety				
Police Department				
Salaries		6,106		
Supplies		1,966		
Services		462		
Utilities		1,876		
Total Public Safety	14,000	10,410	3,590	
Public Works				
Refuse Collection				
Services	920	512	408	
Street Lighting				
Utilities	6,000	5,938	62	
Department of Public Works				
Salaries		4,107		
Supplies		6,085		
Services		643		
Utilities		1,307		
	21,000	12,142	8,858	
Total Public Works	\$ 27,920	\$ 18,592	\$ 9,328	

	Budget Actual		Favorable (Unfavorable)	
Recreation and Culture				
Park Salaries		\$ 4,112		
Supplies		177		
Services		487		
Utilities		334		
Total Recreation and Culture	\$ 5,600	5,110	\$ 490	
Debt Service				
Principal		6,445		
Interest		434		
Total Debt Service	-	6,879	(6,879)	
Other Functions				
Unallocated	4.700	4.022	477	
Fringe Benefits	4,500	4,023	477	
United Way				
Salaries		-		
Supplies	1,000	<del>-</del>	1,000	
Rent	100	-	100	
Reimbursement	980		980	
Total Other Functions	6,580	4,023	2,557	
Total Expenditures	96,800	97,106	(306)	
Excess Revenues Over (Under) Expenditures	(13,800)	46,736	60,536	
Other Financing Sources (Uses)	<b>72</b> 000		(52,000)	
Operating Transfers In Operating Transfers Out	52,000 (38,200)	(37,541)	(52,000) 659	
Total Other Financing Sources (Uses)	13,800	(37,541)	(51,341)	
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	9,195	\$ 9,195	
Fund Balance - Beginning of Year		34,972		
Fund Balance - End of Year		\$ 44,167		

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Street Fund For the Year Ended February 29, 2008

Revenues		Budget	Favorable (Unfavorable)	
State Shared Revenue         \$ 50,000         \$ 39,955         \$ (10,045)           Misc. Income         -         -         -           Interest         65         153         88           Total Revenues         50,065         40,108         (9,957)           Expenditures         Public Works         8         18,481         44,065<	Revenues			
Interest         65         153         88           Total Revenues         50,065         40,108         (9,957)           Expenditures           Public Works         8           Routine Maintenance         18,481         44,065           Miscellaneous         1,405         44,065           Administration         2,754         54,005         (9,940)           Debt Service         Principal Interest         5,000 1,067         67           Total Debt Service         6,000         6,067         (67)           Total Expenditures         50,065         60,072         (10,007)           Excess Revenues Over (Under) Expenditures         -         (19,964)         (19,964)           Other Financing Sources (Uses)         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)         (13,422)		\$ 50,000	\$ 39,955	\$ (10,045)
Total Revenues   50,065   40,108   (9,957)	Misc. Income	-	-	-
Expenditures Public Works  Routine Maintenance Winter Maintenance Winter Maintenance Miscellaneous Administration Administration  Debt Service Principal Interest  Total Debt Service  6,000 Food  Total Expenditures  50,065  Cheef Financing Sources (Uses) Operating Transfers In  Total Other Financing Sources (Uses)  Excess Revenues Over (Under) Expenditures  Fund Balance - Beginning of Year  18,481  19,405  6,005  6,005  6,005  6,007  (10,007)  10,007)	Interest	65	153	88
Public Works       18,481         Routine Maintenance       31,365         Miscellaneous       1,405         Administration       2,754         Total Public Works       44,065       54,005       (9,940)         Debt Service       5,000       1,067         Principal Interest       1,067       (67)         Total Debt Service       6,000       6,067       (67)         Total Expenditures       50,065       60,072       (10,007)         Excess Revenues Over (Under) Expenditures       -       (19,964)       (19,964)         Other Financing Sources (Uses)       -       14,550       14,550         Excess Revenues Over (Under) Expenditures       -       14,550       14,550         Excess Revenues Over (Under) Expenditures       -       (5,414)       \$ (5,414)         Fund Balance - Beginning of Year       (13,422)	Total Revenues	50,065	40,108	(9,957)
Routine Maintenance         18,481           Winter Maintenance         31,365           Miscellaneous         1,405           Administration         2,754           Total Public Works         44,065         54,005         (9,940)           Debt Service         Principal         5,000         1,067           Total Debt Service         6,000         6,067         (67)           Total Expenditures         50,065         60,072         (10,007)           Excess Revenues Over (Under) Expenditures         -         (19,964)         (19,964)           Other Financing Sources (Uses)         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$         -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)         (13,422)	Expenditures			
Winter Maintenance       31,365         Miscellaneous       1,405         Administration       2,754         Total Public Works       44,065       54,005       (9,940)         Debt Service       5,000       1,067         Principal Interest       1,067       (67)         Total Debt Service       6,000       6,067       (67)         Total Expenditures       50,065       60,072       (10,007)         Excess Revenues Over (Under) Expenditures       -       (19,964)       (19,964)         Other Financing Sources (Uses)       -       14,550       14,550         Total Other Financing Sources (Uses)       -       14,550       14,550         Excess Revenues Over (Under) Expenditures       \$       -       (5,414)       \$ (5,414)         Fund Balance - Beginning of Year       (13,422)	Public Works			
Miscellaneous       1,405         Administration       2,754         Total Public Works       44,065       54,005       (9,940)         Debt Service       5,000       1,067         Principal Interest       1,067       (67)         Total Debt Service       6,000       6,067       (67)         Total Expenditures       50,065       60,072       (10,007)         Excess Revenues Over (Under) Expenditures       -       (19,964)       (19,964)         Other Financing Sources (Uses)       -       14,550       14,550         Total Other Financing Sources (Uses)       -       14,550       14,550         Excess Revenues Over (Under) Expenditures       \$       -       (5,414)       \$ (5,414)         Fund Balance - Beginning of Year       (13,422)	Routine Maintenance		18,481	
Administration         2,754           Total Public Works         44,065         54,005         (9,940)           Debt Service         5,000         1,067         1,067           Total Debt Service         6,000         6,067         (67)           Total Expenditures         50,065         60,072         (10,007)           Excess Revenues Over (Under) Expenditures         -         (19,964)         (19,964)           Other Financing Sources (Uses)         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)			31,365	
Total Public Works         44,065         54,005         (9,940)           Debt Service         Frincipal Interest         5,000 1,067         1,067           Total Debt Service         6,000         6,067         (67)           Total Expenditures         50,065         60,072         (10,007)           Excess Revenues Over (Under) Expenditures         -         (19,964)         (19,964)           Other Financing Sources (Uses)         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$         -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)			· ·	
Debt Service         5,000           Principal         5,000           Interest         1,067           Total Debt Service         6,000         6,067         (67)           Total Expenditures         50,065         60,072         (10,007)           Excess Revenues Over (Under) Expenditures         -         (19,964)         (19,964)           Other Financing Sources (Uses)         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$         -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)	Administration		2,754	
Principal Interest         5,000 1,067           Total Debt Service         6,000         6,067         (67)           Total Expenditures         50,065         60,072         (10,007)           Excess Revenues Over (Under) Expenditures         -         (19,964)         (19,964)           Other Financing Sources (Uses)         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$         -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)	Total Public Works	44,065	54,005	(9,940)
Interest         1,067           Total Debt Service         6,000         6,067         (67)           Total Expenditures         50,065         60,072         (10,007)           Excess Revenues Over (Under) Expenditures         -         (19,964)         (19,964)           Other Financing Sources (Uses)         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$ -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)	Debt Service			
Total Debt Service         6,000         6,067         (67)           Total Expenditures         50,065         60,072         (10,007)           Excess Revenues Over (Under) Expenditures         -         (19,964)         (19,964)           Other Financing Sources (Uses)         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$ -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)	Principal		5,000	
Total Expenditures         50,065         60,072         (10,007)           Excess Revenues Over (Under) Expenditures         -         (19,964)         (19,964)           Other Financing Sources (Uses)         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$ -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)	Interest		1,067	
Excess Revenues Over (Under) Expenditures - (19,964) (19,964)  Other Financing Sources (Uses)  Operating Transfers In - 14,550 14,550  Total Other Financing Sources (Uses) - 14,550 14,550  Excess Revenues Over (Under) Expenditures \$ - (5,414) \$ (5,414)  Fund Balance - Beginning of Year (13,422)	Total Debt Service	6,000	6,067	(67)
Other Financing Sources (Uses) Operating Transfers In  Total Other Financing Sources (Uses)  Excess Revenues Over (Under) Expenditures  \$ - (5,414) \$ (5,414)  Fund Balance - Beginning of Year  (13,422)	Total Expenditures	50,065	60,072	(10,007)
Operating Transfers In         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$ -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)	Excess Revenues Over (Under) Expenditures	-	(19,964)	(19,964)
Operating Transfers In         -         14,550         14,550           Total Other Financing Sources (Uses)         -         14,550         14,550           Excess Revenues Over (Under) Expenditures         \$ -         (5,414)         \$ (5,414)           Fund Balance - Beginning of Year         (13,422)	Other Financing Sources (Uses)			
Excess Revenues Over (Under) Expenditures  \$ - (5,414) \$ (5,414)  Fund Balance - Beginning of Year  (13,422)		<del>-</del>	14,550	14,550
(Under) Expenditures       \$ -       (5,414)       \$ (5,414)         Fund Balance - Beginning of Year       (13,422)	Total Other Financing Sources (Uses)		14,550	14,550
(Under) Expenditures       \$ -       (5,414)       \$ (5,414)         Fund Balance - Beginning of Year       (13,422)	Excess Revenues Over			
<del></del>		\$ -	(5,414)	\$ (5,414)
Fund Balance - End of Year \$ (18,836)	Fund Balance - Beginning of Year		(13,422)	
	Fund Balance - End of Year		\$ (18,836)	

Statement Of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund For the Year Ended February 29, 2008

	Budget		 Actual		Favorable (Unfavorable)	
Revenues State Shared Revenue Interest	\$	10,500 45	\$ 11,828 48	\$	1,328	
Total Revenues		10,545	11,876		1,331	
Expenditures Public Works Routine Maintenance Winter Maintenance Administration Miscellaneous			14,012 17,928 1,723 2			
Total Expenditures		10,545	 33,665		(23,120)	
Excess Revenues Over (Under) Expenditures		-	(21,789)		(21,789)	
Other Financing Sources (Uses) Operating Transfers In			 22,991		22,991	
Excess Revenues Over (Under) Expenditures	\$	<del>-</del>	1,202	\$	1,202	
Fund Balance - Beginning of Year			 3,204			
Fund Balance - End of Year			\$ 4,406			

# Statement of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual - Sewer Maintenance Fund For the Year Ended February 29, 2008

	Budget		Actual		Favorable (Unfavorable)	
Operating Income Fees	\$	24,000	\$	22,647	\$ (1,353)	
Operating Expenses						
Salaries and Wages		-		5,488	(5,488)	
Insurance and Supplies		8,000		8,317	(317)	
Utilities		300		243	57	
Services - Operating		11,050		11,438	(388)	
Professional Services		1,500		1,500	-	
Licenses		2,350		1,950	400	
Equipment Rental		-		-	-	
Miscellaneous		-		274	(274)	
Depreciation				12,046	 (12,046)	
Total Operating Expenses		23,200		41,256	 (18,056)	
Operating Income (Loss)		800		(18,609)	(19,409)	
Non-Operating Revenues (Expenses)						
Interest Income		400		407	7	
Transfer In		-		-	-	
Transfer Out		(1,200)			 1,200	
Net Non-Operating Revenues (Expenses)		(800)		407	 1,207	
Net Income (Loss)	\$			(18,202)	 (18,202)	
Net Assets - Beginning of Year				436,173		
Net Assets - End of Year			\$	417,971		

# Statement of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual - Sewer Restricted Fund For the Year Ended February 29, 2008

	Budget	Actual	Favorable (Unfavorable)
Operating Income	<u> </u>	Actual	(Ciliavorable)
Fees	\$ -	\$ 2,765	\$ 2,765
Taxes	8,000	511	(7,489)
Total Operating Income	8,000	3,276	(4,724)
Operating Expenses			
Operating Income (Loss)	8,000	3,276	(7,489)
Non-Operating Revenues (Expenses)			
Interest on Assessments	4,000	3,270	(730)
Interest Income on Investments	1,100	1,324	224
Other Interest Income	-	1,400	1,400
Other Income	-	1,627	1,627
Interest Expense	(15,639)	(10,470)	5,169
Other Expense	(261)	(261)	-
Transfer In	2,800		(2,800)
Net Non-Operating Revenues (Expenses)	(8,000)	(3,110)	4,890
Net Income (Loss)	\$ -	166	\$ (2,599)
Net Assets - Beginning of Year		(18,041)	
Net Assets - End of Year		\$ (17,875)	

# H&S Companies

# REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council Village of Walkerville, Michigan

We have audited the general purpose financial statements of Village of Walkerville, Michigan, as of and for the year ended February 29, 2008, and have issued our report thereon dated July 24, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Walkerville, MI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Walkerville, MI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Walkerville, MI internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A

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significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Walkerville, Michigan's ability to initaiate, authorize record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the Village of Walkerville, Michigan financial statements that is more than inconsequential will not be prevented or detected by the Village of Walkerville, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2008-1 and 2008-2.

A material weakness is a significant deficiency, or combination of sigificant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Walkerville, Michigan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Walkerville, Michigan's general purpose financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hendon & Slate, P.C.

Hendon & Slate

Fremont, MI July 24, 2008

### SCHEDULE OF FINDINGS AND RESPONSES February 29, 2008

#### **Findings**

2008-1 Anti-Fraud Program

The Village has not adopted an Anti-Fraud Program as required by SAS 99.

#### 2008-2 Address Preparation of Financial Statements

As part of the audit, management has requested us to prepare a draft of the Organization's financial statements, including the related notes to the financial statements. Similar to prior years, management performed a review of the financial statements. However, in order to provide improved oversight to the financial statement preparation services at an appropriate level and implement controls over the financial reporting process, management might establish review policies and procedures including the preformance of some or all of the following functions:

- Reconcile general ledger amounts to the draft financial statements using grouping schedules provided by us.
- Review the adequacy of financial statement disclosures, possibly including reviewing and approving a completed disclosure checklist we would provide to you or by completing a disclosure checklist.
- Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
- Review and approve the cash flow worksheet used in preparing the statement of cash flows.
- Apply analytical procedures to the draft financial statements.
- Perform other procedures as considered necessary by management.

#### Responses

2008-1 Anti-Fraud Program

The Council is looking at a sample policy and considering adopting one in the near future.

2008-2 Address Preparation of Financial Statements

The Council understands the need for the improvement in this area and will consider altering employee responsibilities to improve the oversight of the preparation of the financial statements.

#### Prior Year Findings

There were no prior year findings.

# H&S Companies

Hendon & Slate, PC Certified Public Accountants Business Consultants

July 24, 2008

To the Village Council Village of Walkerville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Walkerville, Michigan for the year ended February 29, 2008, and have issued our report thereon dated July 24, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Significant Audit Findings

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Village of Walkerville are described in Note A of the financial statements. No new accounting policies were adopted and the applications of existing policies were not changed during the 2007-2008 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the accumulated depreciation is based on life expectancies. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2008.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

#### Budget Over expenditures

During our audit, we again noted a few instances of budgeted expenditures exceeding budgeted revenues. We recommend that the board continue to compare actual expenditures to budgeted expenditures on a regular basis and make amendments as needed to avoid over expenditures.

#### **Deficits**

The Village has accumulated a net asset deficit in the Sewer Restricted Proprietary Fund of \$17,875. Public Act 275 of 1980 requires that the Village of Walkerville file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended in a deficit condition. During the current year the deficit was decreased by \$166. It doesn't appear that you will be able to reduce the deficit fund balance in the near future with current estimates; however, it is likely that it will be eliminated within the life of the long-term debt.

The Major Street Fund also reflected a fund balance deficit for the year ended February 29, 2008. The deficit of \$18,836 was largely due to the amount owed to the Sewer Restricted Fund the end of last year. The Major Street will continue to have a deficit fund balance for several years, until the loan between the funds is repaid. Therefore, there is also a deficit reduction plan required for this fund.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village Council and management of the Village of Walkerville and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Hendon & Slate PC

Hendon & Slate

Fremont Office

# H&S Companies

Hendon & Slate, PC Certified Public Accountants Business Consultants

Council Members, Village of Walkerville Oceana County, Walkerville, MI

In planning and performing our audit of the financial statements of Village of Walkerville as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Walkerville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Walkerville's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. However, we identified deficiencies in internal control that we consider to be significant deficiencies which are included in the schedule of findings and responses.

We also note to the council that there are inherent limitations of internal control, including the possibility of management override of controls.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Hendon & Slate

Hendon & Slate, P.C. Certified Public Accountants

Fremont Office July 24, 2008

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